Institutional mechanism to identify priority sectors for subsidies

2819. SHRI R.K.ANAND:
SHRI SANTOSH BAGRODIA:
SHRI HARISH RAWAT:

Will the Minister of FINANCE be pleased to state:

(a) whether Government have set up any criterion and institutional mechanism to identify the priority sections eligible for subsidies;

(b) if so, the details thereof;

(c) whether the benefits of subsidies have gone to non-priority sections;

(d) if so, the extra expenditure incurred on that account;

(e) whether Government propose to rationalise the subsidy regime to reduce the subsidy bill; and

(f) if so, the main elements thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) The National Corhmom Minimum Programme (NCMP) mandates the Government to target all subsidies to the poor and truly needy sections of the society. In pursuance of this mandate, Government has submitted a report on subsidies to the Parliament. This report was discussed in the meeting of the Consultative Committee of the Ministry of Finance on February 8, 2005. Based on wider discussion with stakeholders and after due consultations, a policy on targeting subsidies, mainly explicit subsidies on food, fertiliser and petroleum would be evolved.

(c) and (d) While food subsidies are designed to be targeted to people below the proverty line, the other two subsidies, namely, fertiliser and petroleum are universal subsidies available to all consumers. Many reviews and evaluation studies have pointed out that even in the case of food subsidies, benefits have accrued to the non-needy sections as well, apart from illegal diversion of foodgrains to the market. Government has not quanitified the extra expenditure on account of such diversion as much of these are clandestine activities and any estimate would be somewhat subjective.

(e) and (f) Providing minimum consumption entitlements to the poor by subsidizing the essential items consumed by them is an extremely important

welfare dimension. Subsidies can correct the under consumption of goods with positive externalities. While the Government is committed to fulfilling its welfare obligation, the present efforts are directed to ensure that the benefits of subsidies are maximized by making them transparent, well designed and targeted.

Study on subsidy regime

2820. SHRI SANTOSH BAGRODIA:
SHRI R.K. ANAND:
SHRI HARISH RAWAT:

Will the Minister of FINANCE be pleased to state:

(a) whether Government have commissioned any study on rationalising the subsidy regime;

(b) if so, the details thereof the whether Government are in agreement with the recommendations of the study;

(c) whether Government also acknowledge that the subsidies on food, petroleum and fertiliser have not reached the targeted segments.

(d) if so, whether Government have set up any criterion and the institutional mechanism to identify the targeted segments of the population, if so, the details thereof; and

(e) whether Government also agree with the report and consider small-scale industries, rural development and agricultural research as non-priority sectors and if so, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) The National Common Minimum Programme (NCMP) mandates the Government to target all subsidies to the poor and truly needy sections of the society. In pursuance of this, the National Institute of Public Finance and Policy (NIPFP) was asked to submit a study on subsidies. Based on this study a report, "Central Government subsidies in India", was placed in the Parliament on December 23, 2004. This Report forms the basis for discussion among various stakeholders in the Government's attempt to target subsidies to the poor and truly needy. The report also provides a detailed review of the major subsidies, including impact assessment, which allude to the fact that such subsidies are not fully targeted to the poor and needy.